

Voluntary Report - public distribution

Date: 3/7/2003

GAIN Report #CA3013

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 9

2003

Approved by:

Gary C. Groves

U.S. Embassy

Prepared by:

George C. Myles, Matthew A. Cahoon

Report Highlights:

Canada Disputes Commerce's Preliminary Duties on Wheat * Tariffs Unfair Laments "CWB" * Funding Doubled for Canadian Agri-Food Promotion * Traceability Holy Grail of the Food Processing Industry, Says McCain * Customers Resistant to GM Wheat Says CWB * Coalition Urges Greater Biosecurity * Ontario's Apple Growers to Vote on New Marketing Plan * Canadian Ginseng Production Increases * Ontario Corn Producers Elect New President * First Nations Licences to Battle Beetle Infestation

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

GOVERNMENT OF CANADA DISPUTES U.S. COMMERCE DEPARTMENT'S PRELIMINARY FINDINGS OF WHEAT SUBSIDY: In a March 4 news release, the Government of Canada disputed the conclusions of U.S. Department of Commerce (DOC) in its preliminary findings, which will result in the imposition of duties of 3.94% on durum and hard red spring wheat from Canada. "Canadian wheat exports are not subsidized, so we disagree with the U.S. Department of Commerce finding of subsidy, no matter how small," said International Trade Minister Pierre Pettigrew. "We mounted a strong defence of our policies and we note that the DOC has set aside most of the U.S. petitioners' requests. We will continue to defend our policies as the investigations proceed." "These numbers are far less draconian than anticipated, however anything more than zero is too much," said Ralph Goodale, Public Works and Government Services Minister and Minister Responsible for the Canadian Wheat Board. "The numbers are small, but we will fight them nonetheless. There are other shoes to fall later this year and we will not let down our guard." "This challenge by American wheat producers is disappointing," said Agriculture and Agri-Food Minister Lyle Vancief. "The Canadian government will continue to work with affected provinces and the Canadian Wheat Board to ensure that our interests and trade agreement rights are forcefully defended." "The grain handling and transportation policies of the Government of Canada are designed to produce efficiencies in the system and do not distort trade between Canada and the United States," said Transport Minister David Collenette.

U.S. TARIFFS UNFAIR TO WESTERN CANADIAN WHEAT FARMERS LAMENTS CWB:

Following a U.S. Department of Commerce (DOC) March 4 affirmative countervailing duty determination against the Canadian Wheat Board (CWB), the CWB denounced the preliminary ruling, which has imposed tariffs on western Canadian wheat farmers because of subsidy allegations, calling it "unfair." Ken Ritter, CWB Chair of the Board of Directors called the DOC investigation "harassment provoked by the success of western Canadian farmers in the U.S. marketplace." Tariffs on Canadian imports to the U.S. of 3.94% on wheat and durum were announced by DOC. The CWB sells an average of 1.5 million tonnes of wheat and durum, worth C\$360 million to C\$460 million, into the U.S. each year. This represents about 10% of total sales. Canadian exports to the U.S. from August to December 2002 were below average, amounting to 137,800 tonnes of spring wheat and 191,600 of durum (compared to 533,000 tonnes and 211,000 tonnes, respectively, for the same period last year). "We are encouraged by the fact that the DOC has dismissed some of the subsidy allegations and that the preliminary tariffs have been set at a low level," added Ritter. "We believe that this preliminary ruling demonstrates that the case, as launched, is quite weak." In spite of the duties, the CWB notes that it will still "be open for business for its American customers." The DOC is expected to make its final determination in July, while the U.S. International Trade Commission will make its final determination in August.

SASKATCHEWAN PLEDGES TO FIGHT U.S. WHEAT DUTY: The March 6 edition of *Good Morning Ontario*, covering a *Resource News International* article, reported that the Saskatchewan provincial government pledged to work with the Canadian federal government, other provinces and the CWB to fight the U.S. Department of Commerce decision that places a 3.94% duty on Western Canadian red spring and durum wheat imports from Canada. "We feel the decision is flawed, politically motivated and not supported by the evidence," said Saskatchewan's Deputy Premier and Agriculture, Food and Rural Revitalization Minister Clay Serby. If the challenge fails, the province will seek recourse with NAFTA and the WTO, *Resource News* reported.

FUNDING DOUBLED FOR CANADIAN AGRICULTURE AND FOOD PROMOTION:

Agriculture and Agri-Food Minister Lyle Vancief announced on March 5 a re-designed program called the Canadian Agriculture and Food International (CAFI) Program which will double the federal assistance to C\$26-million to assist the Canadian agriculture and food industry's trade promotion activities. "This funding will be available to groups in the agriculture and food exporting industry, including, for the first time, the seafood sector," said Mr. Vancief. "The CAFI program represents a significant investment in supporting industry efforts to gain international recognition and enhance market opportunities, key components of the Agricultural Policy Framework." The new program will provide industry groups with matching funding that represents more than double the funds

traditionally available for activities under CAFI's predecessor, the Agri-Food Trade Program. Within the International Strategy of the Agricultural Policy Framework (APF), CAFI funds for branding and market development initiatives will give industry the ability to establish generic industry brands within and across product and commodity groups. CAFI will also fund new industry-led trade advocacy efforts in building alliances with like-minded industry groups and governments around the world to promote and defend Canada's interests in the world trade arena and to help Canada gain greater influence in international debates on key agricultural trade issues. The funding is part of the C\$175 million in federal funding over six years announced by Minister Vancilief in June 2002 to support market development for the Canadian agri-food industry and efforts to liberalize agricultural trade.

TRACEABILITY THE HOLY GRAIL OF THE FOOD PROCESSING INDUSTRY, SAYS MCCAIN CEO: Maple Leaf Foods, headquartered in Toronto, is intensifying its traceability drive by setting up a new swine traceability network that will link a pork chop in, say, Japan back to its farm and litter of origin in Canada. The company's immediate aim is to gain a competitive advantage in markets where traceability is already an issue. Longer term, however, full traceability is expected to become routine for other reasons as well, specifically to verify quality claims (grain-fed or drug-free, for example) and for food safety and animal health concerns. "Traceability has become the Holy Grail of the food processing industry," notes Maple Leaf CEO Michael McCain. According to McCain, Japan has just made retail-to-farm traceability compulsory for its domestic beef and could extend this requirement to other meats. Maple Leaf plans to use a system of genetic fingerprinting to identify all sows whose progeny end up in a Maple Leaf plant. The genetic analysis will be done on a tiny piece of ear tissue. Once sows are thus identified, it will be possible to track any carcass or feeder pig back to its dam. The technology is expected to be ready by the end of 2003, and operational for selected markets within 18 to 24 months. Independent members of Maple Leaf's Elite Swine group are likely to be among the first to test the system. Ultimately, anyone wishing to sell pigs to Maple Leaf may have to be sure all dams are "fingerprinted".

CUSTOMERS RESISTANT TO GM WHEAT SAYS CWB: The March 7 edition of *Good Morning Ontario*, covering a CBC Saskatchewan story, reported that some Prairie farmers want to know when they can start growing GM wheat but the Canadian Wheat Board (CWB) says forget it; none of its customers are interested. Canadian farmers and the CWB have squared off over the issue. According to the CBC, some Canadian farmers, at some point in the future, would like to try GM wheat, especially the fusarium resistant wheat that is now being developed. But 80% of the CWB customers don't want it and farmers' frustration is beginning to show. Patty Rosher, who monitors GM crops for the CWB, didn't offer prairie farmers much hope. Rosher says customers are still very worried about GM wheat and she doesn't see any signs that their anxiety will decrease in the near future. "We have customer countries where, on the one hand, they're implementing more and more restrictive legislation all the time," she says. "And on the other hand are going ahead with field research of their own on GM crops."

COALITION URGES GREATER BIOSECURITY: According to recent Canadian Broadcasting Corporation (CBC) report, spokesperson Matt Taylor of the Canadian Animal Health Coalition, representing national livestock organizations, veterinary associations, and provincial governments says a recent study by the coalition placed the cost of an outbreak of FMD in Canada at between C\$10 billion and C\$46 billion, and says that because of Canada's reliance on beef and pork exports, the impact of an outbreak would be worse than the recent one in the United Kingdom. He called on the Canadian government to step-up counter-terrorism measures designed to protect the food supply.

ONTARIO'S APPLE PRODUCERS TO VOTE ON NEW MARKETING PLAN: Ontario's Minister of Agriculture and Food Helen Johns has instructed the Ontario Farm Products Marketing Commission to conduct an Expression of Opinion Vote among provincial apple growers to gauge support for a new marketing plan. The Ontario Apple Marketing Commission was dissolved in 2001 after almost 60% of growers voted to terminate it. The industry has been developing a new strategy to meet changing markets in Ontario and around the globe. The Ontario Apple Growers Steering Committee was formed to consult with growers, processors and marketers. The Steering Committee proposes to include only commercial-sized operations under a new marketing plan. The Ontario Farm Products Marketing Commission, a provincial oversee body, will reportedly commence work on the producer vote immediately, starting with the creation of a list of producers eligible to cast ballots on the new plan. One ballot will be distributed by mail to each apple grower who owns an orchard of 10 acres or more. The Commission plans to conduct the vote during the spring of 2003.

CANADIAN GINSENG PRODUCTION INCREASES: According to Agriculture and Agri-Food Canada (AAFC),

Canada has become the world's largest grower of *Panax quinquefolius*, otherwise known as North American ginseng, accounting for over 60% of world production. Sales of ginseng rank as Ontario's fifth largest cash crop, while in British Columbia (B.C.) ginseng sales rank as its seventeenth largest. Total ginseng exports have increased from about \$C15 million in 1988 to more than \$C68 million in 2001. However, with increased production, prices have fallen significantly over the past seven years. The ginseng industry has proven to be remarkably resilient and innovative during this period, increasing yields from 10-30% and lowering costs of production by as much as 50%. With continued research, combined with a strong marketing plan, AAFC believes the Canadian ginseng industry will be well positioned to capture new marketing opportunities. For a copy of the AAFC report on ginseng, see: http://www.agr.gc.ca/mad-dam/e/bulletine/v16e/v16n05_e.htm

ONTARIO CORN PRODUCERS ELECT NEW PRESIDENT: Ontario corn producer Mat Menich was elected as the new president of the 21,000-member Ontario Corn Producers' Association (OCPA) at the organization's annual meeting held in London March 4-5, 2003.

Menich, a 10-year veteran of the board of directors, has fulfilled the role of OCPA 1st vice-president for the past two years, and represents Eastern Canada's grain and oilseed growers on the National Safety Nets Advisory Committee. Menich replaces two-term president Dennis Jack, who did not run for re-election. Jack, a Thamesville-area farmer representing Kent County (Region 15), will continue on the OCPA executive as past president. The new executive includes three vice-presidents who will also serve as committee chairs. David Start, Oxford County (Region 8), is first vice-president and chair of the Grain Trade and Market Development Committee. The two remaining vice-presidents are Jean-Marc Beneteau, Essex County (Region 16), who will chair the Safety Nets committee, and Dale Mountjoy, Durham County (Region 4), who will chair the Environment and Research Committee. The Ontario Corn Producers' Association (OCPA), founded in 1983, is a non-profit association representing 21,000 Ontario corn producers. Further is available on the organization's website: <http://www.ontariocorn.org>

FIRST NATIONS LICENCES TO BATTLE BEETLE INFESTATION: The British Columbia Ministry of Forests announced that forest licences for 600,000 m³ were awarded to the Lheidli T'enneh and the Saik'uz First Nations to create new economic opportunities for the bands and fight the mountain pine beetle infestation. Under the interim measures agreement, the Lheidli T'enneh will receive a forest licence for 150,000 m³ of timber over three years, with the possibility of being extended for an additional two years. The agreement also allows the Forests minister to award a community forest pilot agreement once Canada, B.C. and the Lheidli T'enneh reach and approve an agreement-in-principle under the B.C. treaty process. In a separate agreement, the Saik'uz First Nation will receive a non-replaceable forest licence for 450,000 m³ over three years, with the possibility of being extended for two more years. Both forest licences are for beetle-kill timber in the Prince George timber supply area. In May 2002, B.C.'s Chief Forester increased the allowable annual cut by 2.9 million m³ to address the mountain pine beetle infestation. The Lheidli T'enneh and Saik'uz must submit detailed business plans outlining how the forest licences will be managed, including meeting silviculture and reforestation obligations. In May 2002, government introduced legislation enabling the Minister of Forests to invite First Nations to apply for forest tenures without competition, to increase their participation in the forest sector. These are the fourth and fifth invitations to be extended, inviting seven First Nations to apply for a total of 1,128,000 m³ of timber to date.

Did You Know ...that about half of Canadian fresh asparagus consumption is accounted for by U.S. fresh asparagus exports? Canada grew only 2,765 metric tons of asparagus in 2002 and imported 12,000 metric tons. U.S. asparagus growers sold 7,115 metric tons to Canada in 2002 worth \$16.3 million, but are facing increased competition in the Canadian market from growers in Mexico and Peru.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA3012	This Week in Canadian Agriculture, Issue 8	2/28/2003
CA3011	This Week in Canadian Agriculture, Issue 7	2/21/2003

VISIT OUR WEBSITE: The FAS/Ottawa website is now accessible through the U.S. Embassy homepage. To view the website, log onto www.usembassycanada.gov; click on Embassy Ottawa offices, then Foreign Agricultural Service. The FAS/Ottawa office can be reached via e-mail at: info@usda-canada.com.